CI BRUNSWICK FUND
QUARTERLY REPORT

Cooper Investors Pty Limited AFS Licence Number 221794 ABN 26 100 409 890

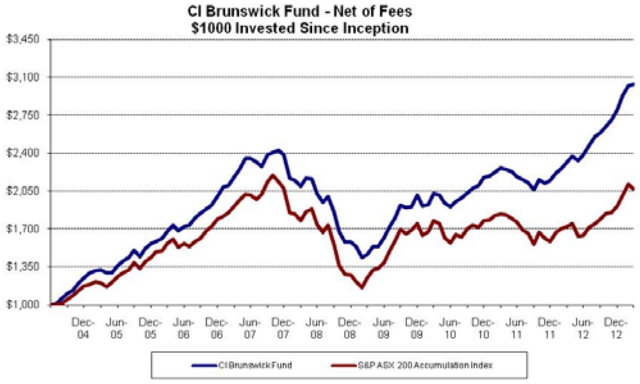
MARCH 2013

"He that can have patience can have what he will." Benjamin Franklin.

"Everything should be made as simple as possible, but not simpler." Albert Einstein.

"I also do not believe in buying companies that do not pay attractive dividends. Nobody can forecast the future. But it's obvious that companies that have a strong uninterrupted record are more interesting than those that have not." Stephen Jarislowsky.

	**PORTFOLIO	BENCHMARK	VALUE ADDED
ROLLING 3 MONTH	8.60%	8.15%	0.45%
ROLLING 1 YEAR	32.34%	19.98%	12.36%
ROLLING 2 YEAR	18.14%	6.16%	11.98%
ROLLING 3 YEAR	16.40%	5.25%	11.15%
ROLLING 5 YEAR	9.21%	3.09%	6.12%
ROLLING 7 YEAR	11.27%	4.03%	7.24%
SINCE INCEPTION*	17.36%	8.66%	8.70%
SINCE INCEPTION^	305.69%	106.84%	198.85%



* Annualised
^ Cumulative (1 July 2004)
** Before fees and expenses

Market and Portfolio Performance

The S&P/ASX200 Accumulation Index rose over the quarter and year to 31 March 2013 by 8.15% and 19.98% respectively. Global stock markets continued to perform well. Over the quarter, in comparison with Australia, the S&P 500 rose 10.43%, UK FTSE 100 rose 9.85%, Japan Nikkei 225 rose 19.27%, whilst the China A Share Index rose 5.24%.

The portfolio returned 8.60% and 32.34% over the quarter and year. Over the quarter, portfolio outperformers included Bega Cheese, Amcom Telecom, Westpac and Woolworths. Underperformers were Macquarie Telecom, WH Soul Pattinson and international holdings in British Empire Securities and Rio Tinto Plc. The industrials and financials sectors performed strongly, whilst the resources sector fell 8.3%, weighed down by moderating Chinese growth and lower demand for commodities.

The Portfolio

"All human actions have one or more of these seven causes: chance, nature, compulsion, habit, reason, passion and desire." Aristotle.

Over the quarter the portfolio established new positions in Transpacific Industries, Village Roadshow and Fletcher Building, whilst selling down positions in Tatts Group bonds and Vodafone.

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The portfolio remains positioned around five pillars or stock clusters:

- **Stalwarts** (35% of the portfolio) – sturdy, strong and generally larger companies with world class privileged market and competitive positions (Brambles, Newscorp).
- **Bond like equities** (15%) – stocks with secure, low-volatile dividends that can be grown and recapture inflationary effects over time (APA Group, Tatts Group).
- **Niche growth companies** (18%) – growing companies with identifiable value propositions using traditional value metrics and run by focused, prudent and experienced management (Ryman Healthcare, Amcom Telecom).
- **Asset plays** (17%) – stocks with strong or improving balance sheets trading at discounts to net asset value or replacement value (WH Soul Pattinson, Jardine Strategic).
- **Turnarounds** (12%) – sound businesses with good management in place and good balance sheets essential. We especially like government to private turnarounds (Aurizon, Transpacific Industries).

Currently the portfolio holds around 3% cash and another 3% in high yielding hybrid securities such as Australand Notes and Transpacific Preference Shares.

The portfolio has around 12% of assets invested in overseas markets (excluding NZ stocks). These positions are spread across the UK, Singapore and Hong Kong listed companies.

Portfolio attributes as at 31 March 2013 are summarized below:

P/E	15.7
Beta	0.78
Yield	3.8%
P/Book	1.9x
ROE	12.2%
Tracking error vs. ASX 200	4.95%
Stock Numbers	37

Major sector exposures are:

Sector	**Portfolio Weight**
Energy	5.6
Materials	3.7
Industrials	29.7
Health Care	10.1
Financial	16.1
Utility & Infrastructure	8.9
Telecommunications	8.8
Foreign Equities*	12.4
Cash & equivalents	4.7

* *Excludes NZ stocks which are considered domestic along with Australian listed securities.*

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Stock News

"I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful." Warren Buffett.

Transpacific Industries (TPI) ~ During the quarter we established a position in Transpacific (TPI). TPI has had a tumultuous history since listing on the ASX in May 2005 at $2.40 (having been founded in 1987). During the pre-financial crisis years of 2006/07, Transpacific went on an expansive debt-fuelled acquisition spree with revenues increasing from $472m in FY05 to $2.2bn in FY08 and net debt / EBITDA reaching a staggering 6.9x at June 2007. The market initially responded favourably to the acquisitions, sending its share price to a high of $10.22 in the middle of 2007 making the then Executive Chairman / founder Terry Peabody a paper billionaire. The market subsequently decided during the GFC that the debt burden was far too high for an industrial company with some volatility in its earnings profile, sending its share price below $1 in 2009 where it has stayed since. It was a case of "up by the stairs, down by the elevator".

Since the GFC, TPI has been on a long and arduous balance sheet, operational and management cleansing process. We feel that the recent sell-down by Terry Peabody of his remaining 11% shareholding (in which we participated) has almost completed the process. Despite the remaining doubters, we believe the balance sheet is now healed after several large capital raisings with net debt / EBITDA forecast to be ~2.2x at June 13. This is consistent with other listed investment grade industrials such as AMC (~2.0x). TPI continues to de-gear at a rapid rate given that it is not paying a dividend, it has strong cash flows and is executing on a program of asset sales.

The key points behind our investment proposition include:

- The balance sheet is now in a healthy position and will improve further over the next 12-18 months by further debt reduction from operating cash flows and asset sales.
- We have high regard for the new management team who appear to be hands on and detail focused. We also take comfort from investing alongside the highly credible private equity firm Warburg Pincus who are focused on shareholder value creation for shareholders given their substantial investment.
- The waste management industry is relatively rational and allows above WACC returns. While it is easy to focus on TPI's reported ROIC of 8.3% in FY12, we do not think this is instructive as it includes goodwill as a result of substantial premiums TPI historically paid for acquisitions and this cost has been born by previous shareholders. Given that TPI is now focused on organic opportunities, we believe it is more instructive to look at TPI's returns on ***tangible*** capital as this is the rate of return which TPI will be targeting in future investments – this was a much healthier 20.3% in FY12.
- Compared with other countries, the waste management industry in Australia remains relatively fragmented and provides the opportunity for further consolidation over time. There are clear scale benefits in the industry that result from increased route density.
- In the latest half year results TPI increased their cost reduction target from $30-40m to $50m. Given that most of TPI's contracts allow for the pass-through of labour and fuel, we believe this represents genuine cost savings that will flow to the bottom line. We believe that these cost savings opportunities are still "low hanging fruit" and that the opportunity will continue to evolve over time.

- TPI is a strong cash flow business – it converts the majority of its P&L EBITDA into cash and only requires capex in-line with depreciation and amortisation. This is in contrast to many other industrial companies that have poor conversion of P&L earnings into cash flow due to recurring "one-off" costs and working capital and require capex spending at multiples of depreciation and amortisation.
- TPI has a relatively stable earnings profile, particularly in the solid waste segments. Volatility arises from emergency clean-up work in the industrial solutions business (high margins but is lumpy) and exposure to commodity prices (particularly in the hydrocarbons business). On-balance, TPI has a diversified and unique asset position across most waste management segments in Australia. We believe that margins in the 1H13 result are at base levels given that they largely exclude any emergency work and were impacted by landfill levies. We expect margins to improve driven by cost reduction and a normalisation in post-collection volumes. Emergency work will provide upside when it occurs.
- The New Zealand business operates in an effective duopoly with EnviroWaste. While first half earnings were depressed in New Zealand, we believe the outlook is positive given that the construction sector (including the Christchurch rebuild) is beginning to gain momentum. The recent transaction in which EnviroWaste was sold to Asia's richest man Li Ka-Shing (Cheung Kong Infrastructure) for 10x EBITDA provides strong read-through value for TPI.
- Near term catalysts include the sale of the commercial vehicles business which has been identified as non-core (estimated proceeds ~$150-200m) and the resumption of dividends, both of which we expect will both occur over the next 12 months.
- Our DCF valuation is well above the current share price using conservative assumptions. We do not assume any cyclical recovery in earnings for TPI in our base case which may provide upside if conditions do improve.

Village Roadshow (VRL) ~ We established an initial position in Village Roadshow (VRL) during the quarter by participating in the sell-down by the Kirby/Burke family and buying stock on-market.

VRL is a stalwart company with strong market positions across its portfolio of Theme Park, Cinema Exhibition and Film Distribution assets. Over the last few years management has refocused the strategy around a higher quality portfolio by selling assets; VRL sold its 52% stake in Austereo Group for $376m and Sydney Attractions Group for $110m whilst reining in international expansion plans by exiting a number of non-core markets such as Greece, Hong Kong, Thailand and Malaysia.

The domestic theme parks industry is highly consolidated with VRL and Ardent Leisure controlling 72% and 28% market share respectively based on the mostly recently disclosed visitation date. VRL owns/operates a number of marquee properties on the Gold Coast including; Wet'n'Wild, Warner Bros Movie World, Sea World and Outback Spectacular. Wet'n'Wild Sydney is scheduled to open in late 2013 and will be one of the world's largest water parks and only major theme park in a largely unpenetrated NSW local tourism market of 6m visitors. The outlook for the Theme Parks division is driven by new attractions, ticketing/marketing strategies, scale and of course weather.

The Cinema Exhibition and Film Distribution divisions have relatively defensive earnings, a lower growth profile and strong cash generation characteristics, converting around 105% of P&L earnings into operating cashflow over the last 3 years. These businesses operate in oligopolistic industry structures with rational pricing behaviour. VRL operates its cinema circuit through a 50% JV with

Greater Union, which is owned by Amalgamated Holdings (also held in the portfolio). The VRL/Greater Union JV is the market leader in the cinema circuit with around 45% revenue share, followed by Hoyts at around 27%.

VRL is approaching the back-end of a high capex phase following a period of heavy investment in low-risk growth projects including Wet'n'Wild Sydney ($120m), Wet'n'Wild Las Vegas ($12m) and investment in a number of new attractions across the existing portfolio of theme parks ($60m). With earnings set to grow and capex falling to around depreciation levels over the next few years we anticipate free cash flow yield will improve to around 10% by FY15.

There is value latency through ongoing brownfield theme park capex delivering attractive, low risk, mid-to-high double-digit returns, greenfield developments such as Wet'n'Wild Sydney and longer-term optionality in the company's investments in China and Village Roadshow Entertainment Group. Operating trends in Queensland have also turned positive with tourist visitation showing early signs of improvement (particularly from China) after an extended period of underperformance. Tourism Research Australia forecasts international tourist visitation from China to grow at a compound rate of 7% over the next decade.

EBITDA margins have rebased over the last few years (falling from 23.4% in FY07 to 17.1% in FY12) on the back of lower visitation, price reductions, increased investment and asset sales. Our DCF valuation is above the current share price using conservative assumptions and without assuming an ongoing recovery in domestic tourist visitation. At the time of writing the stock was trading on a P/E of 12x and DY of 4.8%.

Lion Selection Group (LSX) ~ During the quarter Lion Selection Group (LSX) implemented the final initiative announced to investors under the 'Lion Plan' Strategic Review in October 2012 with its listing on the ASX completed on 13 March 2013.

Key elements of the 'Lion Plan' included; relisting on the ASX (having previously been listed on the National Stock Exchange), issuing bonus options to shareholders on a one-for-six basis, implementing a sustainable dividend policy, establishing long term arrangements with Lion Manager and implementing a number of changes to the Lion Board. The company also provided an update on its investment in One Asia Resources. One Asia Resources is an unlisted emerging gold producer focused on the development of two gold mines in Indonesia; Pani and Awak Mas.

At Pani, One Asia Resources believes the Pani Ridge mine development has the potential to be undertaken at a low strip ratio (low operating cost) using heap leach processes. One Asia Resources has agreements in place to own a direct equity interest in the project and expects to complete these ownership changes in 1H 2013 subject to government approvals. The defined exploration targets with respect to the Pani Project are as follows.

100% Basis	Basis for Estimate	Tonnes	Grade	Gold (Moz)
Exploration Target - First 500m of Pani Ridge	Drill out on 50m x 50m centres	40 – 45 MT	1.0 – 1.1 g/t	1.2 – 1.5 Moz
Exploration Target - Whole Pani project (including the first 500m strike of Pani Ridge)	Limited drilling outside of first 500m. Interpreted extensions of known mineralisation.	70 – 74 MT	1.0 – 1.1 g/t	2.2 – 2.5 Moz

Source: Lion Selection Group

In February, One Asia Resources also lodged the Indonesian Feasibility Study and Environmental Impact Statement for the Awak Mas project with the Indonesian Government. Initial financial modelling indicates Awak Mas has the capacity to produce approximately 1.15M oz of gold over the life of the mine at a capital cost of US$260M and an operating cash cost of US$760 per ounce. One Asia Resources believes it will be entitled to its 80% interest in the Awak Mas project once approved.

LSX remains an attractive investment proposition given its 12% discount to NAV, diversified mining investment portfolio, longer-dated project value latency and management's strong track record at delivering value in the long-term. LSX has consistently outperformed the ASX Small Resources market over the medium and longer-term.

	Lion Selection Group	ASX Small Resources	All Ordinaries
1 Year	13.3%	(27.4%)	18.7%
3 Years	14.8%	(6.7%)	6.7%
5 Years	32.3%	(6.9%)	1.4%
10 Years	20.7%	12.5%	9.8%
15 Years	17.2%	9.3%	8.5%
Inception	15.6%	7.4%	8.2%

Source: Lion Selection Group, Iress

Washington H Soul Pattinson (SOL) ~ The portfolio has been a long term investor in Australia's 2nd oldest listed company, Washington H Soul Pattinson (SOL).

In recent months the cross-ownership structure between SOL and Brickworks (BKW), where SOL owns approximately 45% of BKW and BKW owns approximately 43% of SOL has come under increased scrutiny by shareholders and sell-side analysts once again calling for its dismantling and/or a sale of underlying investments to unlock shareholder value in both companies.

During the quarter the BKW Board issued a statement that reiterated the findings of the independent review presented to shareholders at the 2012 Annual General Meeting, which is that no corporate restructure within BKW's control would unequivocally improve value for shareholders.

The enduring and unique cross-ownership structure has been in place since 1969 and served both companies well, particularly in down cycles. Over the last 15 years an investment in SOL has delivered a total return of 14.2% pa compared with the ASX All Ordinaries Accumulation Index of 8.5% pa. Over the 109 years since listing, SOL has paid a dividend every year, including through the depression of the 1930s. A remarkable achievement!

SOL continues to trade at an attractive discount to underlying assets and owns a high quality diversified portfolio of businesses (New Hope, Brickworks, TPG Telecom, API, Ruralco and Clover).

Fletcher Building (FBU) ~ During the quarter we established a position in Fletcher Building (FBU). The key points behind our investment proposition include:

- We have an extremely high regard for the newly appointed CEO Mark Adamson – he is a no nonsense, focused and detail orientated manager with a formidable track record. During his tenure at Formica he managed to increase EBITDA by 108% from FY08 to FY12 despite an extremely tough operating environment in Europe and North America which resulted in sales declining 22% over this same time period. There is significant value that can be created by good management in the building materials industry. If Mr Adamson can replicate this performance at the broader group then we believe we will be well rewarded as shareholders.
- The cost reduction and efficiency opportunity is significant given the disparate businesses and opportunities for shared services and central procurement. While the initial management focus will be on indirect costs given they are easier to extract, over time we think there will be a significant opportunity in direct costs. As FBU's direct costs are significantly larger than their indirect costs (NZ$6.65bn vs. NZ$1.7bn in FY12), the opportunity in direct costs potentially dwarfs the opportunity in indirect costs although it will evolve over several years. We believe the 'mid-cycle earnings' potential of the group will be significantly enhanced.
- The new management team has articulated an organic focus after the previous management team eroded significant amounts of shareholder value on poorly timed and over-priced acquisitions.
- FBU has historically had good cashflow conversion (average of ~90% conversion of EBITDA into cash over the past decade) and has relatively low capital requirements for the foreseeable future given previous investment and spare manufacturing capacity which should enable the business to operate with capex at or below D&A.
- FBU has some extremely strong market positions, particularly in New Zealand where the market size and its remote geographic location make it difficult for competitors to gain a foothold. FBU's return on capital provides evidence of these strong market positions - over the past decade FBU's return on tangible capital has averaged over 20% (peak of 28.6% in FY06 vs. trough of 14.5% in FY12).
- There is evidence of a cyclical recovery in the building sector in both the US and New Zealand which accounts for ~50% of FBU's earnings. FBU has strong leverage to any recovery in top line sales, evidenced by a 30% increase in New Zealand EBIT in 1H13 on only a 7% increase in sales.

Rio Tinto (RIO) ~ We are encouraged by the actions taken by the RIO Board during the quarter to replace its CEO and CFO following a further $14 billion of impairments (mostly related to the disastrous Alcan acquisition). We remain of the view that substantial latent value exists within RIO's portfolio and that a focused and shareholder friendly management team should be able to unlock this value. In new CEO Sam Walsh and new CFO Chris Lynch, we are confident that this management team is now in place. Walsh, who has run arguably the world's best mining business in RIO's Iron Ore division since 2004, has hit the ground running with a renewed focus on shareholder value. He said recently "Under my leadership, Rio Tinto will have an unrelenting focus on pursuing greater value for shareholders. To do this we need to run the business as owners not managers and my immediate priority is to build more focus, discipline and accountability throughout the organisation. Demonstrating this commitment, we will deliver our capital reduction and cost savings targets and improve performance across our business."

Lynch, recently as CEO of Transurban, has a track record of creating value for shareholders and showing capital discipline, traits that are desperately required at RIO. Although still early days, recent observations and insights are supportive of the focus and discipline that we expect the new management team to deliver. During the quarter we added to our RIO position.

International Trip Observations from CI's investment team

During the quarter members of CI's investment team travelled to the US and China visiting companies across a range of industries.

US Trip – observations / insights:

- Amazon flies a weekly cargo plane from the UK to Australia - local costs are so high that this is cheaper than opening an Australia-based fulfilment centre.
- There is US$2 trillion of U.S. corporate cash 'stranded' overseas.
- "Investment banks have become public utilities" – Richard Handler, Jefferies CEO.
- Asset managers who dilute their culture will regret it down the road (Janus Capital).
- U.S. water infrastructure is decrepit and needs investment in excess of US$300bn to replace a pipe network that is over 200 years old. This is driving a long term bull story for private water utilities.
- We met a number of cable media and content providers – their view was that the battle between distributors and programmers over content costs is not new. The reality is that distributors and programmers are entirely interdependent.
- The U.S. waste haulage industry is extremely inefficient – due to anti-trust laws, many streets have 5 or 6 different garbage company's trucks driving around in the morning (Waste Management).
- Low natural gas prices are causing a renaissance in the U.S. petrochemicals industry, benefitting everyone from heavy crude refiners who need a lot of hydrogen, to plastics manufacturers who can use cheap ethane (derived from natural gas liquids) in their ethylene crackers rather than the more expensive naphtha.
- Unemployment in Houston is 4% and housing is affordable - US$400k will buy you a 5 bedroom house with a pool in a nice part of town.
- The Master Limited Partnership ("MLP") space is booming – in 2005 there were 8 MLPs; there are now over 100. MLPs pay no tax and distribute all their earnings, very similar to REITs but in the natural resources sector.

China Trip – observations / insights:

In early March we visited China on our annual commodities-focused research trip, touring a combination of Tier 1 east-coast cities, Tier 2 and 3 cities in central and east coast provinces and Xinjiang Province in the far north-west of the country which is undergoing a rapid build of new aluminium smelting capacity on the back of low cost thermal coal power generation. We also visited Macau to improve our understanding of its thriving casino industry.

We came away from the trip more confident in China's ability to continue growing at a moderate pace (our contacts forecasting 6-8% p.a. for the remainder of this decade) and were impressed by the new leadership's intentions to implement reform to make this growth more sustainable (e.g. less investment and more consumption, promotion of services industries, focus on the environment, social reform). The control over the economy that the Chinese Government has cannot be underestimated – on the same day that the current Australian Government almost self-imploded, we met with a senior Chinese Government official who spoke of the stable long-term planning horizon that China operates under and the visibility they have into the future direction of the country.

The major insights and investment implications from the trip included:

- Confirmation that the industrial commodities pricing 'super-cycle' is likely over due to moderating demand and supply finally catching-up, although volumes should remain strong. We remain underweight mining as a sector with overweight stock positions based on expectations for value realisation that are not reliant on commodity price rises (e.g. Rio Tinto as above).
- China will continue to out-compete the western world in commodities in which it is long (steel, aluminium, scrap processing) by using its competitive advantages (technology, speed of execution, cheap energy, capital and labour). Commodities that China is short (e.g. iron ore, copper, energy) are relatively more attractive.
- Clean energy movement is real (gas 5% of energy consumption today, 9-10% by 2020, developed world is 20-25%) with an increasing focus on pollution evident. In addition, low-cost coal-fired power generation in north-west China is displacing higher-cost eastern and central coal-fired power generation. With this backdrop, it is not unrealistic that China could become a net exporter of thermal coal in the future (as they were in the early 2000's).
- We are increasingly concerned about the competitive position of Australian thermal coal exports given the points above and with increasing shale gas supply in the US resulting in more seaborne thermal coal supply globally. This is currently exacerbated by the currency and cost headwinds facing the industry in Australia. Our investment thesis on Aurizon Holdings is not reliant on strong thermal coal export volume growth but we continue to monitor this risk.
- The growth of the Chinese consumer is a mega-trend with consumption expected to continue to grow at greater than 10% p.a. over the medium-term as the middle class becomes wealthier. Consumption is observable everywhere (e.g. luxury shopping, car ownership, technology, domestic tourism, Macau casinos). We continue to search for exposures to this thematic within the Australian market.